

Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Ovid Township	County	CLINTON	Type	TOWNSHIP	MuniCode	19-1-120
Opinion Date-Use Calendar	Jun 11, 2008	Audit Submitted-Use Calendar	Jul 11, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 275,794.00
General Fund Expenditure:	\$ 752,765.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 217,123.00
Governmental Activities Long-Term Debt (see instructions):	\$ 350,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Steven	Last Name	Kirinovic	Ten Digit License Number	1101022020				
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CPA Firm Name	Abraham & Gaffney, P.C.	Unit's Street Address	1015 Baese Court	City	Ovid	LU Zip	48866		

**Township of Ovid
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2008

Township of Ovid
Clinton County, Michigan
March 31, 2008
BOARD OF TRUSTEES

James I. McClelland	Supervisor
Carolyn J. Stilwell	Clerk
Jeanne A. Ott	Treasurer
Charles J. Olson	Trustee
James A. Schaefer	Trustee

Township of Ovid
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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board
Township of Ovid
Ovid, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Ovid, Michigan as of and for the year ended March 31, 2008, which collective comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township of Ovid's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Township of Ovid as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 11, 2008

Township of Ovid

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

The following is a discussion and analysis of the Township of Ovid (the Township's) financial performance and position, providing an overview of the activities for the year ended March 31, 2008. This analysis should be read in conjunction with the Independent Auditors Report and with the Township's financial statements, which follow this section. This discussion and analysis provides comparisons with the previous year.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- State shared revenue, our largest revenue source in the General Fund, increased approximately \$1,127.
- Tax revenues increased approximately \$8,412 from the prior year. The increase is the result of increasing property values.
- The fund balance of the Township's General Fund decreased by \$126,971 as a result of a planned usage of a portion of fund balance for the construction of the new Township Hall.
- The Township incurred \$350,000 in debt to assist in the financing of the construction of a new Township Hall. The balance of the hall construction costs were financed by local dollars.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Ovid as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Ovid in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2008 and March 31, 2007.

	March 31,	
	2008	2007
Assets		
Current assets	\$ 269,532	\$ 348,062
Noncurrent assets	<u>673,281</u>	<u>130,569</u>
Total assets	942,813	478,631
Liabilities		
Current liabilities	72,607	3,968
Noncurrent liabilities	<u>336,000</u>	<u>-</u>
Total liabilities	408,607	3,968
Net assets		
Invested in capital assets, net of related debt	323,281	130,569
Unrestricted	<u>210,925</u>	<u>344,094</u>
Total net assets	<u>\$ 534,206</u>	<u>\$ 474,663</u>

Township of Ovid

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

The Township's total net assets were \$534,206 at March 31, 2008. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$210,925 at the end of the fiscal year. The net assets invested in capital assets, net of related debt were \$323,281.

The following table shows the changes in net assets for the year ended March 31, 2008 and March 31, 2007.

	March 31,	
	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue		
Charges for services	\$ 900	\$ 1,275
Capital grants and contributions	-	6,792
General revenue		
Property taxes	118,315	109,903
State shared revenue	136,088	134,961
Investment earnings	10,321	10,843
Other	<u>10,170</u>	<u>12,072</u>
Total revenues	275,794	275,846
Program Expenses		
General government	119,928	104,358
Public safety	18,760	18,880
Public works	61,094	52,682
Health and welfare	500	500
Recreation and cultural	3,325	3,490
Interest on long-term debt	<u>12,644</u>	<u>-</u>
Total program expenses	<u>216,251</u>	<u>179,910</u>
Change in net assets	<u>\$ 59,543</u>	<u>\$ 95,936</u>

Governmental Activities

The Township's governmental revenues totaled \$275,794 with the greatest revenue source being state shared revenue, making up approximately 49 percent of total revenues. Property taxes make up approximately 43 percent of total governmental revenue. Over the past year, state shared revenue and interest income have both increased slightly.

The Township incurred expenses of \$216,251 during the year. The majority of expenses are associated with the general government and public works functions, which includes various general governmental activities, maintenance of highways, streets and bridges as well as drains.

The Township's Funds

The analysis of the Township's major fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the General Fund, not the Township of Ovid as a whole. The Township of Ovid's Board of Trustees has the ability to create funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages.

Township of Ovid

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

The General Fund pays for all of the Township's governmental services. The most significant services provided during the fiscal year were general governmental activities of \$89,222, maintenance of highways, streets and bridges, which incurred expenditures of \$61,094 for the fiscal year, and capital outlay of \$569,059, which includes construction of the new Township Hall building and office furniture to furnish the new facility. These activities are funded primarily through property taxes and the Township also entered into an installment purchase agreement for \$350,000 to help pay for the building.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the expected construction costs of the new Township Hall that is being built. The total expenditure budget had a favorable variance of over \$64,000 mainly due to less road work being done and less construction costs during 2007/08 than was initially budgeted.

Capital Assets

At the end of the fiscal year, the Township had approximately \$684,441 invested in capital assets, including land, the new building, office equipment and software, and voting machines. There was \$11,160 in accumulated depreciation on these assets with a resulting investment in capital assets (net book value) of \$673,281. There was \$541,314 in net additions to capital assets in the current year, which was mostly for construction costs for the new Township Hall that was built. See Note C in the financial statements for more details.

Debt Administration

During the current year, the Township entered into an installment purchase agreement for \$350,000 to finance the new building. This amount is shown as a liability on the government-wide statement of net assets (page 1). The amount due next year is \$14,000 in principal and approximately \$14,578 in interest. The balance is reflected as noncurrent. See Note D in the financial statements for more details.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. With the increases in other revenues, it has been equal to our loss of revenue in the past, but we can not withstand a reduction in revenue sharing.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall at (989) 834-2838.

BASIC FINANCIAL STATEMENTS

Township of Ovid
STATEMENT OF NET ASSETS
March 31, 2008

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 258,552
Due from other governmental units - local	<u>10,980</u>
Total current assets	269,532
Noncurrent assets	
Capital assets not being depreciated	70,184
Capital assets, net of accumulated depreciation	<u>603,097</u>
Total noncurrent assets	<u>673,281</u>
TOTAL ASSETS	942,813
LIABILITIES	
Current liabilities	
Accounts payable	1,949
Accrued wages	450
Accrued interest payable	6,198
Retainage payable	49,588
Other accrued liabilities	422
Current portion of long-term debt	<u>14,000</u>
Total current liabilities	72,607
Noncurrent liabilities	
Noncurrent portion of long-term debt	<u>336,000</u>
TOTAL LIABILITIES	408,607
NET ASSETS	
Invested in capital assets, net of related debt	323,281
Unrestricted	<u>210,925</u>
TOTAL NET ASSETS	<u>\$ 534,206</u>

See accompanying notes to financial statements.

Township of Ovid

STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:			
General government	\$ 119,928	\$ 900	\$ (119,028)
Public safety	18,760	-	(18,760)
Public works	61,094	-	(61,094)
Health and welfare	500	-	(500)
Recreation and cultural	3,325	-	(3,325)
Interest on long-term debt	12,644	-	(12,644)
Total governmental activities	<u>\$ 216,251</u>	<u>\$ 900</u>	(215,351)
General revenues:			
Property taxes			118,315
State shared revenue			136,088
Investment earnings			10,321
Other			<u>10,170</u>
Total general revenues			<u>274,894</u>
Change in net assets			59,543
Net assets, beginning of the year			<u>474,663</u>
Net assets, end of the year			<u>\$ 534,206</u>

See accompanying notes to financial statements.

Township of Ovid
GOVERNMENTAL FUND BALANCE SHEET
March 31, 2008

	<u>General</u>
ASSETS	
Cash	\$ 258,552
Due from other governmental units - local	<u>10,980</u>
TOTAL ASSETS	<u>\$ 269,532</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 1,949
Accrued wages	450
Retainage payable	49,588
Other accrued liabilities	<u>422</u>
	52,409
FUND BALANCE	
Unreserved	
Undesignated	<u>217,123</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 269,532</u>

See accompanying notes to financial statements.

Township of Ovid

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2008

Fund balance - governmental fund **\$ 217,123**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 684,441	
Accumulated depreciation is	<u>(11,160)</u>	
Capital assets, net		673,281

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Long-term debt payable	350,000	
Accrued interest payable	<u>6,198</u>	
		<u>(356,198)</u>
Net assets of governmental activities		<u>\$ 534,206</u>

See accompanying notes to financial statements.

Township of Ovid

Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended March 31, 2008

	<u>General</u>
REVENUES	
Taxes	\$ 118,315
Intergovernmental - state	136,088
Charges for services	900
Interest	10,321
Other	<u>10,170</u>
TOTAL REVENUES	275,794
EXPENDITURES	
Current	
General government	89,222
Public safety	18,760
Public works	61,094
Health and welfare	500
Recreation and cultural	3,325
Other	4,359
Debt service	6,446
Capital outlay	<u>569,059</u>
TOTAL EXPENDITURES	<u>752,765</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(476,971)
OTHER FINANCING SOURCES	
Debt proceeds	<u>350,000</u>
NET CHANGE IN FUND BALANCE	(126,971)
Fund balance, beginning of year	<u>344,094</u>
Fund balance, end of year	<u><u>\$ 217,123</u></u>

See accompanying notes to financial statements.

Township of Ovid

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Net change in fund balance - governmental fund **\$ (126,971)**

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Capital outlay	\$ 548,561	
Depreciation expense	<u>(5,849)</u>	
Excess capital outlay over depreciation expense		542,712

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Bond proceeds	(350,000)	
(Increase) in accrued interest payable	<u>(6,198)</u>	
		<u>(356,198)</u>

Change in net assets of governmental activities **\$ 59,543**

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ovid Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by generally accepted accounting principles; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Township of Ovid. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Ovid contain all the funds controlled by the Township Board.

2. Joint Ventures

The Township participates in the following activities which are considered to be jointly governed organizations in relation to the Township, due to there being no ongoing financial interest or responsibility.

Ovid-Middlebury Emergency Services Authority - The Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury has entered into an agreement that created the Ovid-Middlebury Emergency Services Authority. Each Township appoints three (3) individuals and the Village appoints one (1) individual to the governing board of the Authority. The Townships collect and distribute property taxes that are levied by the Authority. The Authority provides fire and ambulance services to the Townships and the Village.

The financial activities of Ovid-Middlebury Emergency Services Authority are accounted for separately. Separate audited financial statements for the Authority are available directly from the Authority. As of December 31, 2007, the Ovid-Middlebury Emergency Services Authority had a fund balance of \$198,531. The Township distributed \$18,260 to the Authority for per capita charges and fire protection.

Maple Grove Cemetery Authority - The Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury, has entered into an agreement which created the Maple Grove Cemetery Authority. The governing body of the Authority is a board which is comprised of six (6) members; two (2) appointed by the Village of Ovid, two (2) appointed by the Township of Ovid, and two (2) appointed by the Township of Middlebury for a term of one (1) year. The majority of the Authority's revenue is derived from charges for services which are charged to each individual for lot sales, burials, etc. Each municipality is responsible to pay an equal per capita charge based on amount of anticipated expenditures above anticipated revenues if necessary. The \$2,435 paid from the general fund during the current year was for the Township's portion of related expenditures.

The financial activities of the Maple Grove Cemetery Authority are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended December 31, 2007, are available from the Authority. As of December 31, 2007, the Authority had a fund balance of \$19,832.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Jointly Governed Organizations

The Township participates in the following activity which is considered to be a jointly governed organization in relation to the Township due to there being no ongoing financial interest or responsibility.

Ovid Public Library - Under Public Act 24 of 1989, the Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury, created the Ovid Public Library which is considered a District Library. The Ovid Public Library board is composed of two (2) members appointed by each of the three municipalities. The Townships collect and distribute property taxes that are levied by the Library. The Township has no financial responsibility to the Library.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major fund. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The major fund of the Township is:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

5. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Township of Ovid
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

7. Cash

Cash consists of checking and money market accounts and are recorded at market value.

8. Capital Assets

Capital assets include software and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$1,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	25 - 100 years
Equipment	5 - 25 years

9. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

10. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Township of Ovid
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

12. Due From Other Governmental Units

Due from other governmental units consists of amounts due from local units of government for property taxes collected that are still owed to the Township.

13. Property Taxes

Ovid Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2008, the Township levied .9835 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2007 levy for property within the Township was \$90,301,726.

14. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board as required.

Township of Ovid

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Township of Ovid is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, the carrying amount of the Township's deposits was \$258,552 and the bank balance was \$315,693 of which \$200,000 was covered by federal depository insurance. The remaining balance of \$115,693 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2008, the Township did not have any accounts that would be subject to rating.

Township of Ovid
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE B: CASH - CONTINUED

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Balance April 1, 2007</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance March 31, 2008</u>
Capital assets not being depreciated				
Land	\$ 70,184	\$ -	\$ -	\$ 70,184
Construction in progress	<u>49,714</u>	<u>-</u>	<u>(49,714)</u>	<u>-0-</u>
Subtotal	119,898	-0-	(49,714)	70,184
Capital assets being depreciated				
Building and improvements	-	575,323	-	575,323
Equipment	<u>23,229</u>	<u>22,952</u>	<u>(7,247)</u>	<u>38,934</u>
Subtotal	23,229	598,275	(7,247)	614,257
Less accumulated depreciation for:				
Building and improvements	-	(3,159)	-	(3,159)
Equipment	<u>(12,558)</u>	<u>(2,690)</u>	<u>7,247</u>	<u>(8,001)</u>
Subtotal	<u>(12,558)</u>	<u>(5,849)</u>	<u>7,247</u>	<u>(11,160)</u>
Net capital assets being depreciated	<u>10,671</u>	<u>592,426</u>	<u>-0-</u>	<u>603,097</u>
Net capital assets	<u>\$ 130,569</u>	<u>\$ 592,426</u>	<u>\$(49,714)</u>	<u>\$ 673,281</u>

Depreciation expense of \$5,849 was allocated to the general government function on the statement of activities.

Township of Ovid

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2008:

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Installment Purchase Agreement	\$ -	\$ 350,000	\$ -	\$ 350,000	\$ 14,000

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Installment Purchase Agreement

\$350,000 Installment purchase agreement dated May 1, 2007, due in annual installments ranging from \$14,000 to \$32,000 through May 1, 2022, with interest at 4.250 percent, payable semi-annually.

\$ 350,000

The annual requirements to pay the debt principal and interest outstanding for the installment purchase agreement are as follows:

Year Ending March 31,	Principal	Interest
2009	\$ 14,000	\$ 14,578
2010	18,000	13,898
2011	19,000	13,111
2012	19,000	12,304
2013	20,000	11,475
2014-2018	115,000	36,763
2019-2023	<u>145,000</u>	<u>22,695</u>
	<u>\$ 350,000</u>	<u>\$ 124,824</u>

NOTE E: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including liability, wrongful acts, auto, crime, inland marine, EDP, and property losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also maintains commercial insurance coverage for workers' compensation.

Township of Ovid

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE F: RETIREMENT PLAN

The Township of Ovid is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Ovid Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 75% and the employee 25% of the amount. During the year ended March 31, 2008, the Township of Ovid made contributions for all participating employees of \$300 per employee with the participating employees required to contribute \$100 each.

All members of the township board are eligible to participate in the plan. All eligible employees, except for Board trustees, participate in the plan. The contributions fund the premiums for Individual Deferred Annuity policies with John Hancock.

For the year ended March 31, 2008, the Township of Ovid had a total payroll of \$44,182. The Township of Ovid Retirement Plan covered a payroll of \$40,563. The Township of Ovid made contributions to the retirement plan in the amount of \$900.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Ovid

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property taxes	\$ 89,000	\$ 89,000	\$ 89,504	\$ 504
Trailer tax	181	181	309	128
Administrative fees	26,829	26,829	28,502	1,673
Total taxes	116,010	116,010	118,315	2,305
Intergovernmental - State				
State revenue sharing	135,397	135,397	136,088	691
Charges for services				
Land division administration fees	1,500	1,500	900	(600)
Interest	7,599	7,599	10,321	2,722
Other				
SET reimbursement	1,000	1,000	4,778	3,778
Other	3,968	3,968	5,392	1,424
Total other	4,968	4,968	10,170	5,202
TOTAL REVENUES	265,474	265,474	275,794	10,320
EXPENDITURES				
Current				
General government				
Township Board	2,500	2,500	1,950	550
Supervisor	14,000	13,954	13,308	646
Clerk	16,000	16,000	15,840	160
Board of review	700	700	575	125
Treasurer	19,250	19,250	17,230	2,020
Assessor	21,780	21,826	21,826	-0-
Elections	5,500	5,500	1,851	3,649
Township hall	1,500	1,500	1,409	91
Cemetery	5,080	5,080	2,435	2,645
Other	21,860	17,860	12,798	5,062
Total general government	108,170	104,170	89,222	14,948
Public safety				
Police appropriation	500	500	500	-0-
Emergency services	18,530	18,530	18,260	270
Total public safety	19,030	19,030	18,760	270

Township of Ovid

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Public works				
Street lights	\$ 1,600	\$ 1,600	\$ 1,527	\$ 73
Highways, streets, and bridges	85,105	85,105	56,870	28,235
Drains	5,000	5,000	2,697	2,303
Total public works	91,705	91,705	61,094	30,611
Health and welfare				
Office on Aging	500	500	500	-0-
Recreation and cultural				
Library	360	360	210	150
Parks and recreation	3,360	3,360	3,115	245
Total recreation and cultural	3,720	3,720	3,325	395
Other				
Pension plan contributions	900	900	900	-0-
Social Security	4,100	4,100	3,459	641
Total other	5,000	5,000	4,359	641
Debt service	-	6,446	6,446	-0-
Capital outlay	238,738	586,292	569,059	17,233
TOTAL EXPENDITURES	466,863	816,863	752,765	64,098
EXCESS OF REVENUES UNDER EXPENDITURES	(201,389)	(551,389)	(476,971)	74,418
OTHER FINANCING SOURCES				
Debt proceeds	-	-	350,000	350,000
NET CHANGE IN FUND BALANCE	(201,389)	(551,389)	(126,971)	424,418
Fund balance, beginning of year	344,094	344,094	344,094	-0-
Fund balance, end of year	\$ 142,705	\$ (207,295)	\$ 217,123	\$ 424,418

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Members of the Township Board
Township of Ovid
Ovid, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Township of Ovid as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Ovid's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

FRAUD RISK MANAGEMENT PROGRAM

During the course of our audit, we noted that the Township has not developed or implemented a fraud risk management program. Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Due to the Township not developing a fraud risk assessment and monitoring program it is unable to assess the Township's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements.

FRAUD RISK MANAGEMENT PROGRAM - CONTINUED

We recommend that the Township develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also include informing management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

PREPARATION OF FINANCIAL STATEMENTS

Effective for all audits of financial statements for the year ended December 31, 2006 and after, Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. Throughout the year the Township prepares monthly financial reporting at the fund level and the annual audited financial statements for the year ended March 31, 2008 for the Township of Ovid required mainly only accrual audit adjustments. The staff at the Township of Ovid does understand substantially all of the information included in the financial statements, and as such are able to take responsibility for the content. However, the presentation of financial statements in accordance with generally accepted accounting principles also includes the preparation of government-wide financial statements and note disclosures. Currently the government-wide financial statements and note disclosures are prepared during the audit process. This issue was noted and reported in our audit comments in the prior year. We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Material journal entries for the adjustment of the cash basis information to the accrual basis were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting.

Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Township's internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily identify all deficiencies in internal control that might be considered to be material weaknesses. We believe that the last significant deficiency described above related to material journal entries proposed by auditors to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters.

This report is intended solely for the information and use of management and Members of the Township Board of the Township of Ovid, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 11, 2008